CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

GRW MEZZANINE FUND I LP

A Delaware Limited Partnership

$150,000,000 Limited Partnership Interests

Minimum Capital Commitment: $5,000,000

GRW MEZZ GP LLC

THESE ARE HIGHLY SPECULATIVE SECURITIES

April 30, 2009

George Reid Weppler
Johns Hopkins University – Carey Business School
Master of Science in Real Estate Program – Final Research Project

GENERAL NOTICES

THE LIMITED PARTNERSHIP INTERESTS (THE "INTERESTS") IN GRW MEZZANINE FUND I LP (THE "FUND") ARE OFFERED EXCLUSIVELY TO "ELIGIBLE INVESTORS" AS DEFINED HEREIN.

THE INTERESTS ARE A HIGHLY SPECULATIVE, ENTIRELY ILLIQUID AND CONCENTRATED INVESTMENT, INVOLVE SUBSTANTIAL RISK, AND ARE A SUITABLE INVESTMENT ONLY FOR A LIMITED PORTION OF THE RISK SEGMENT OF AN INVESTOR'S PORTFOLIO. SUBSCRIBERS COULD LOSE ALL OR SUBSTANTIALLY ALL OF THEIR INVESTMENT IN THE FUND.

THE INTERESTS ARE PRIVATELY OFFERED.

CAPITAL CONTRIBUTIONS MAY BE DRAWN DOWN FROM INVESTORS ON THE CLOSING DATE OF THEIR INVESTMENT AND THEREAFTER THROUGH THE END OF THE DRAW PERIOD (AS DEFINED HEREIN).

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS CONCERNING THE FUND OR OFFERING OF THE INTERESTS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM OR IN THE PUBLIC FILINGS OF THE FUND UNDER THE 1940 ACT. WHEN MAKING AN INVESTMENT DECISION, THE OFFEREE MUST RELY ON ITS OWN EXAMINATION OF THE FUND AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE OFFEREE IS REQUIRED TO REPRESENT THAT THE OFFEREE HAS SUBSCRIBED FOR AN INTEREST SOLELY ON THE BASIS OF THE INFORMATION SET FORTH IN THIS MEMORANDUM OR IN THE PUBLIC FILINGS OF THE FUND UNDER THE 1940 ACT.

THE CONTENTS OF THIS MEMORANDUM SHOULD NOT BE CONSTRUED AS INVESTMENT, LEGAL OR TAX ADVICE. THE OFFEREE IS URGED TO SEEK INDEPENDENT INVESTMENT, LEGAL AND TAX ADVICE CONCERNING THE CONSEQUENCES OF INVESTING IN THE FUND.

THE OFFEREE SHOULD NOT CONSIDER INVESTING IN THE FUND UNLESS THE OFFEREE IS EITHER ALONE OR TOGETHER WITH THE OFFEREE'S PROFESSIONAL ADVISERS, FINANCIALLY SOPHISTICATED AND CAPABLE OF EVALUATING THE RISKS, ILLIQUIDITY, VALUATION UNCERTAINTY, TAX CONSEQUENCES AND POTENTIAL MERITS OF SUCH INVESTMENT.

THE OFFEREE, BY ACCEPTING RECEIPT OF THIS MEMORANDUM, AGREES TO TREAT THE INFORMATION CONTAINED HEREIN AS CONFIDENTIAL AND NOT TO DUPLICATE THIS MEMORANDUM OR FURNISH COPIES OF IT TO ANY PERSON OTHER THAN SUCH OFFEREE'S PROFESSIONAL ADVISERS. THE OFFEREE FURTHER AGREES PROMPTLY TO DISPOSE OF THIS MEMORANDUM SHOULD THE OFFEREE DECIDE NOT TO INVEST.

SEE "CERTAIN RISK FACTORS"

SECURITIES LAW NOTICES

NOTICE TO ALL PROSPECTIVE INVESTORS

THE INTERESTS OFFERED PURSUANT TO THIS MEMORANDUM HAVE NOT BEEN REGISTERED WITH OR APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY. FURTHERMORE, NONE OF THE FOREGOING AUTHORITIES HAS CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. TO REPRESENT ANYTHING TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS IS A PRIVATE OFFERING MADE ONLY PURSUANT TO EXEMPTIONS PROVIDED BY RULE 506 UNDER SECTION 4(2) OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF THE INTERESTS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE ANY SUCH OFFER, SOLICITATION OR SALE.

THE INTERESTS ARE NOT REDEEMABLE, AND THERE IS NO SECONDARY MARKET FOR THE INTERESTS. FURTHERMORE, INTERESTS MAY NOT BE TRANSFERRED WITHOUT FIRST OBTAINING THE CONSENT OF DECLARATION, WHICH WILL BE GRANTED IF THE TRANSFEREE IS AN ELIGIBLE INVESTOR, THE TRANSFER IS PERMITTED UNDER APPLICABLE SECURITIES LAW RESTRICTIONS AND THE TRANSFER WILL NOT RESULT IN THE FUND CONSTITUTING A PUBLICLY TRADED PARTNERSHIP FOR TAX PURPOSES.

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I. Executive Investment Summary

Overview

This Private Placement Memorandum ("PPM") is being provided in order to solicit interest from qualified investors for investment in mezzanine financing opportunities in commercial real estate in the metropolitan Washington area.

The following is only a summary of the investment fund and its sponsor. Interested investors are required to read the PPM in its entirety as well as the draft Amended and Restated Limited Partnership Agreement (the "LPA"), which will be distributed to interested investors.

The Fund

GRW Mezzanine Fund I LP (the "Fund") is a recently formed Delaware Limited Partnership that is exempt from registration under Regulation D (private placement exemption) of the Securities Act of 1933.

The Fund seeks to raise up to $150,000,000 in limited partnership interests in order to issue new mezzanine debt to select borrowers with the objective of generating returns for investors of at least 14%. There is no guarantee that the investment will generate any return or return the initial capital investment.

Participating investors will purchase limited partnership interests in the Fund, and as limited partners, will indirectly own debt which is issued to selected borrowers (see "Specified Properties"). Investors will be admitted to the Fund through execution of individual Subscription Agreements and of the master LPA.

The Advisory Committee

The Advisory Committee (the "Committee") of the Fund has overall responsibility to oversee the business operations of the Fund on behalf of the Limited Partners. Biographies for the Committee Members are included in Section IV, Fund Management.

The Sponsor

The General Partner of the Fund, GRW Mezz GP LLC ("Sponsor") is a single asset entity whose members are GRW Funds, Inc. ("GRW") and Fox Realty Mezz Investments L.P. ("FRM").

GRW is the managing member of the Sponsor and is a closely held corporation, which is owned 100% by G. Reid Weppler.

Fox Realty Mezz Investments L.P. is an affiliated company of Fox Realty Trust, a fully integrated Real Estate Investment Trust and a member of the S&P 500.

As detailed in Section II, Investment Strategy (see Sponsor Approach), FRM is involved solely for its guarantor capacity in a) the event that the Sponsor must step-in-the-shoes of a borrower to which it has loaned funds (see Section VII, Certain Risks) and b) as necessary to obtain a Fund level loan to bridge investor's proceeds. GRW will work with the Committee on behalf of the Fund to make all management decisions. GRW is responsible for all investments and business development and is the contact for investors. Mr. Weppler has 10 years of real estate experience including commercial and residential development and structuring of real estate investment partnerships. A biography for Reid Weppler is included in Section IV, Fund Management.

Strategies

The Fund seeks to capitalize on the need for mezzanine financing created by maturing commercial mortgages and the current environment that dictates more restrictive lending requirements for traditional first mortgage lenders. As Sponsor guides investment from late 2009 through 2011, mortgages issued in each year from 1999 through 2007 will be maturing, and it is anticipated borrowers will be unable to obtain first mortgages large enough to pay off maturing debt. As detailed in Section V, Market Context, issuers of mortgage loans for commercial properties are currently underwriting first mortgage loans up to a maximum loan-to-value ratio ("LTV") of 60%, whereas traditional first mortgages were issued up to 80% LTV on average over the last 10 years. The amount of new first mortgage loans is further constrained by the underlying values of properties, which are currently declining rapidly.

In addition to filling in pure financing gaps, through its extensive knowledge of real estate finance, Sponsor will work with parties in distressed situations in order to allow borrowers to refinance creating opportunities for Fund investments.

Although the scale of opportunities across the United States is large, the Fund will only make investments in the D.C. region due to Sponsor's knowledge of the local market and contacts in the local real estate industry.

By investing with a local manager who understands both the real estate finance investment vehicles as well as the underlying real estate assets themselves, the Fund seeks to maximize its opportunity for successful investments.

The Fund will secure its loans through borrower's pledge of ownership interest in underlying properties. With the guarantor capacity of FRM, the Fund is equipped to step-in-the-shoes of borrowers should it be necessary to take control of a property and successfully operate it under terms of the applicable existing senior debt instruments.

The Fund intends to seek additional financing, not to exceed 50% of Gross Proceeds (as defined in Section III, Fund Structure and Fees) in order to defer investor capital and enhance investor returns. The Fund will establish an Interest Reserve from investment proceeds in order to pay interest expenses associated with Fund borrowings.

By charging no upfront fees on committed capital (only a management fee on invested capital), the Sponsor believes it is offering a very competitive fee structure.

An investment in the Fund's limited partnership interests (the "Interests") is speculative and involves a high degree of risk. There can be no assurance that the Fund will achieve its objectives. Investors must be prepared to lose all or substantially all of their investment in the Interests.

The Offering

Interests are being privately offered hereby to Eligible Investors (as defined below).

Eligible Investors

Each prospective investor is required to meet the qualifications specified in the Fund's Subscription Agreement. Investors must either meet the requirements of an "accredited Investor" as defined by the Securities Act of 1933 or be deemed by the Sponsor to meet non-accredited investor requirements under Regulation D by demonstrating that they are highly financially sophisticated and capable of evaluating the complex risks of an investment in the Fund.

Minimum Capital Commitment The minimum Capital Commitment is $5,000,000. Sponsor may waive the minimum capital requirement in its sole discretion.

Closing Date The Closing Date ("Closing") is anticipated to occur on or about June 1, 2009.

Draw Period Sponsor may call for capital contributions on an as needed basis commencing upon Closing and ending upon December 31, 2011.

Distribution Period The Fund will make distributions to the investors on a quarterly basis. It is anticipated that full repayment of capital will occur within 6 years of the final capital contribution made during the Draw Period.

Management Fee The Fund will pay GRW a Management Fee in the amount of 0.75% per annum on the outstanding balance of Fund investments, which shall be paid from borrower's mezzanine debt service payments.

Monthly Management Fee A monthly management fee is paid to GRW by the Fund in arrears as of the end of each month. The Monthly Management Fee is equal to the total Management Fee divided by the number of months in the Distribution Period.

Organization & Offering Allowance The Organization & Offering Allowance, calculated as 0.30% of Gross Proceeds, is paid to the Sponsor at Closing to cover expenses incurred for organizing and marketing the Offering.

Bridge Loan The Fund intends to seek additional financing (the "Bridge Loan"), not to exceed 50% of Gross Proceeds (as defined in Section III, Fund Structure and Fees) in order to defer investor capital and enhance investor returns. The Fund will establish an Interest Reserve from investment proceeds in order to pay interest expenses associated with Fund borrowings.

Specified Investments All investments will be specified in a supplement to the PPM prior to the Fund closing on such financing. Investors will have an opportunity to object to any loan deemed not suitable for investment. See additional detail in Section II, Investment Strategy Sponsor Approach.

Investment Criteria

Washington, D.C. Region
As previously indicated, the Fund will limit its investments to commercial properties in the Metropolitan Washington region. Investment is being focused in this region, because a) it has consistently performed as one of the top office markets in the country with high rents and low vacancy; b) the Washington region economy benefits greatly from the presence of the federal government and tends to outperform other economies in terms of job growth during economic downturns; and c) the Sponsor and Committee Members have expertise in this area. See Section V, Washington Metro Region, for more detail on the local area office market and economy. The Sponsor believes that part of the problem with the real estate debt and equity investments that fueled the real estate boom of the last 10 years was that they were structured by investment people with little on-the-ground local real estate experience.

80% Loan To Value Maximum
Fund sponsored mezzanine loans will not exceed a combined Loan To Value ratio of 80% including any senior debt. With the assumption that issuers of new first mortgages will lend in the range of 50-60% LTV, that leaves a significant gap of 20-30% of the value of the asset where the Fund can target its loans.

Existing Assets
The Fund will target existing stabilized assets that have mortgages which are maturing. By steering away from construction loans and transitional properties, which haven't yet stabilized, the Fund seeks to limit its risk for non-performing loans.

Loan Sized to 10% of Fund Maximum
In order to reduce the impact of the failure of any single loan on the overall performance of the Fund, no loan shall be made that is in excess of 10% of Net Proceeds (See Section III, Fund Structure for calculation of Net Proceeds).

In-Place Income
For operating office buildings, all loans will be underwritten based on then current operating income as evidenced by current rent roll supported by executed leases. Many loans in recent years were based on valuations which assumed aggressive future income growth as represented in the borrower's pro forma. To the extent the Sponsor identifies opportunities in which in-place income and executed leases are not applicable (example: hotels or vacant buildings), the Advisory Committee will assist Sponsor in evaluating the appropriate value assumptions.

Loan Security
Borrowers of Fund debt will pledge their ownership interest in their properties as collateral for the loans. This structure provides better security for the Fund than a title lien on the property that is subordinate to that of the senior mortgagee. In the event of default, the Fund may opt to cause a foreclosure sale for the borrower's interest in the property and ultimately seek to take control of the

property subject to the senior debt in place (i.e. step-in-the-shoes of the borrower).

Investment Criteria Deviations

To the extent the Fund desires to make a loan to an asset that deviates from the Investment Criteria, such deviation will be noted in a Supplement to the PPM, and investors will have five business days to object to the investment. See Specified Investments for more detail on investment objections.

Opportunities – Maturing Debt

As previously described, the Sponsor sees a tremendous opportunity for high-yielding mezzanine debt to fill in the gap between new senior mortgages and local sponsor equity. While one of the challenges lies in pricing mezzanine debt that when added to the senior debt still results in a serviceable debt load, the combination of a low interest rate environment with increasing capitalization rates provides room for higher mezzanine debt rates that can still produce positive leverage for the borrower.

Loan Maturities

While 10 year mortgages have dominated the commercial mortgage market in 1999, 5 and 7 year term loans became increasingly popular over the past 5 years. With a variety of 5, 7 & 10 year existing loans out in the market and a Draw Period of 2.5 years, prospective investment opportunities may involve existing loans that were originated every year from 1999 through 2007 (maturing in 2009 – 2011).

Pure LTV Gap

For older loans that were issued in 1999 (as an example), there will be some properties that have held or slightly increased their value as of 2009, but the borrower is unable to repay the existing mortgage through refinancing due to more conservative underwriting (lower LTVs). Such scenarios will provide opportunities for Fund loans to borrowers who need to refinance and don't want or can't afford to put any more equity into the deal.

Commercial Mortgage Back Securities ("CMBS")

As discussed in more detail in Section V, Market Context, one challenge to the placement of new mezzanine debt is the willingness of existing lenders to extend maturing loans when possible. This becomes somewhat less of an option for maturing loans that were rolled into larger CMBS offerings.

1. Special Servicing. Borrowers of CMBS loans that are unable to repay the balance of the loan upon maturity will be transferred to special servicing. Depending on the CMBS fund documents, even if the loan was previously performing, the special servicer may only be able to extend the loan for two 1-year periods. The Fund will seek opportunities by working with special servicers

and borrowers to locate loans that have reached their maximum extension term in the CMBS portfolio.

Additionally, depending upon the value of the underlying asset, there is the possibility of "tranche-warfare", in which the lowest rated pieces of the CMBS are "out of the money" so they will push for extension of the maturity, whereas higher rated pieces that are in the money will push for foreclosure. Often the special servicer is directed by the lowest rated piece that is in the money; however, determination of who is in the money is dependent upon today's valuations, which can be highly contested. The Sponsor will again work with special servicers that are caught in tranche-warfare scenarios and seek to find a pay-off that is acceptable to the servicer by arranging new financing which will contain Fund mezzanine debt.

2. Hyper-amortization

Some CMBS loans, particularly older vintages, were structured with hyper-amortization provisions. In these cases, the original 10-year term is listed as the "original maturity", and the borrower has the option after 10 years to convert into another 10-20 year term. The catch in this situation is that the interest rate will increase, and the lender will sweep all remaining cash flow on a monthly basis to pay down the principal balance of the mortgage. This is an option for borrowers that at least allows them to hold onto their properties; however, due to the extremely high cost of the debt, it also provides an incentive for borrowers to refinance to the extent that is financially feasible for them. These scenarios could potentially lead to refinancing opportunities that could involve Fund loans.

Distressed Loans

In addition to the specific CMBS opportunities described above, the Sponsor will endeavor to work with any and all parties involved in distressed loan situations to the extent that the same provides an opportunity for the Fund to make an investment in a new capitalization of the asset. As an example, Sponsor might advise prospective borrower on purchase of the distressed existing loan from existing senior lender, assist borrower in foreclosing out any existing subordinate debt, and then further assist in arranging a new first mortgage with which the Fund would pair a new mezzanine loan.

Sponsor Approach

The overall approach of the Sponsor is to utilize the talent and experience of GRW to locate investment opportunities that carry a level of risk that is commensurate with the return profile of the investors. By employing an Advisory Committee, a majority of whom have no economic interest in the Fund whatsoever, investors can be assured that there are no conflicts of interest while also gaining the benefit of the collective experience of the Committee Members.

<u>Washington Region Investments</u>
All Fund investments will be made within the Washington, D.C. Metropolitan region, which includes the District of Columbia, northern Virginia (Arlington, Fairfax, Loudoun, and Prince William Counties and the City of Alexandria) and suburban Maryland (Montgomery, Prince George's and Frederick Counties). The Washington region has consistently performed as one of the top office markets in the country as gauged by high rental rates and low vacancy (see Section V, Washington Metro Region for more detail on the local area office market and economy). The Sponsor believes that it is best suited focusing investments in the territory that its principals are most familiar with and in which they have gained the bulk of their experience. By knowing so many of the players and having good relationships with many local commercial real estate owners, the Sponsor believes that it will see many opportunities and understand the fundamentals of those properties better than national competitors. The Sponsor believes that with economic terms being equal, local borrowers will favor the Fund's local hands-on experience and relationship as opposed to funds sponsored by large national or global banks that have experienced so much turmoil recently.

<u>Specified Investments</u>
In order to give investors ultimate approval rights over the Fund's investments, all loans that are intended to be made by the Fund will be disclosed in advance in a Supplement to the PPM. Investors will have five business days to object to the investment. If an objection is received, all investors will be notified of such objection. Investors will then have five additional business days to notify the Sponsor whether they also object to such investment. Investors comprising a Super Majority Interest in the Fund (defined as 75% or greater of total Limited Partnership Interests) must object to an investment to cause the Fund not to make such investment.

<u>Leverage – Limited to 50% of Gross Proceeds</u>
In order to increase investor returns, the Fund may obtain financing in order to defer investor Capital Contributions. Such additional financing shall not exceed 50% of the total amount of committed capital (Gross Proceeds). By limiting the amount of debt the Fund may take on, the Sponsor seeks a more conservative approach to increasing yields by taking on a manageable level of financing risk.

<u>Comprehensive Due Diligence, Underwriting & Stress-Tests</u>

The Sponsor will perform thorough underwriting of the property, its in-place income, and all anticipated sources of capital for the borrower. Sponsor will conduct due diligence investigations to include a physical assessment of the asset; environmental assessment reports; detailed analysis of leases and lessees; review of capital expenditure budgets; rollover assumptions and analyses; and a complete review of borrowers credit history and real estate experience. Sponsor will also perform stress-tests to analyze likely outcomes from possible events including interest-rate sensitivities, lessee bankruptcies and default.

<u>FRM Guarantee for Step-in-the-Shoes Event or Fund Borrowings</u>

Although the Sponsor's approach and strategy of the Fund are designed to minimize the chances of default, it is imperative that the Fund be in a position to take action and foreclose upon the borrower's collateral in the event of default. The Fund will most likely be required to enter into an intercreditor agreement with the senior mortgagee behind which the Fund issues its mezzanine debt. Having the financial capacity to perform in the event of borrower default may be necessary in order for senior mortgagees to allow the borrower to place the Fund's mezzanine debt on the property.

For Fund mezzanine loans issued to borrowers, it is anticipated that the borrower will pledge for security its ownership interest in the property. This is a unique and important distinction from the pledge of the property itself. Since the first mortgage lender has lien priority, a subordinate lien position on the property itself is not effective collateral in the event of decreased property value. Since the ownership interest is pledged as collateral, in the event of a borrower default, the Fund will have the option to "step-in-the-shoes" of the borrower i.e. take control of the ownership and have the ability to work the situation out with the senior lender and underlying asset. In such a situation, FRM will provide any necessary guarantees for the benefit of senior mortgage holders or other in order to allow the Fund to effectively work-out the situation.

FRM will also provide any guarantees necessary for the Fund to borrow the Bridge Loan in order to defer investor Capital Contributions. The Sponsor will endeavor to pledge the Limited Partners Subscription Agreements as collateral for the Bridge Loan; however, Sponsor's ability to do so will greatly depend on the credit quality of the Limited Partners. FRM's parent company currently has over $2 billion in cash with a market capitalization in excess of $5 billion.

Extension Options

By structuring the Fund documents accordingly, the Fund reserves the right, subject to approval from the Committee, to extend maturing loans to the extent necessary should the loans be performing. As detailed in Section VII, there are many risks that could lead to a borrower of Fund debt not being able to repay the balloon loan balance upon maturity. Having the flexibility to extend (contrary to many CMBS loans) gives the Fund more options to deal with default scenarios in order to improve chances of salvaging Fund investments.

Debt Layer Restrictions

By restricting Fund investments to mezzanine financing that is only subordinate to the first mortgage and further restricting borrowers from placing any additional debt behind (subordinate to) the Fund's loan, the Sponsor will avoid investments with borrowers who seek to place excessive amounts of debt on their properties (which increase risks including risk of default on mortgage debt).

Fund Structure

Limited Partnership
The Fund is a recently formed Delaware Limited Partnership that is exempt from registration under Regulation D (private placement exemption) of the Securities Act of 1933.

Limited Partners
Participating investors will purchase limited partnership interests in the Fund, and as limited partners, will directly own debt which is issued to selected borrowers (see "Specified Investments" in Section II, Investment Strategy – Sponsor Approach).

Subscription Agreements
Investors will be admitted to the Fund through execution of individual Subscription Agreements which will set forth the details and obligations of each investor's capital commitment to the Fund. Sponsor may pledge Subscription Agreements as collateral for borrowings from the Bridge Loan.

Amended and Restated Limited Partnership Agreement ("LPA")
Each investor will also execute a signature page to the master LPA which will govern the affairs and eventual unwinding of the Fund.

Use of Funds

Gross Proceeds (Committed Capital)	$ 150,000,000	
Organization & Offering Allowance	$ 450,000	0.30%
Interest Expense	$ 12,000,000	8.00%
Net Proceeds (Invested Capital)	$ 137,550,000	91.70%

Gross Proceeds
The term Gross Proceeds defines the total amount of capital contributed by the Limited Partners to the Fund.

Organization & Offering Allowance
The Organization & Offering Allowance, calculated as 0.30% of Gross Proceeds, is paid to the Sponsor at Closing to cover expenses incurred for organizing and marketing the Offering.

Interest Expense
An Interest Reserve will be established in an amount equal to 8.00% of Gross Proceeds and will be utilized to pay for interest costs arising from borrowings taken on by the Fund in order to defer investor Capital Contributions.

Management Fee

The Fund will pay GRW a management fee in the amount of 0.75% per annum on the outstanding balance of Fund investments, which shall be paid from borrower's mezzanine debt service payments on a monthly basis.

Below is a schedule of anticipated management fees based on Target Investment Schedules attached as Exhibit A.

GRW Funds, Inc.
Projected Management Fee

Calendar Year		Mgmt Fee
2009	$	77,330
2010	$	617,535
2011	$	1,017,349
2012	$	1,020,203
2013	$	1,013,598
2014	$	906,208
2015	$	351,017
	$	5,003,240

Advisory Committee

The current Committee Members are David Sislen, Stacey Berger and Reid Weppler.

David Sislen is the founder and President of Bristol Capital Corporation, which owns and/or manages a portfolio of industrial and other real estate assets, as well as provides advisory services for distressed debt on commercial real estate assets. Prior to founding Bristol Capital Corporation, Mr. Sislen was a Senior Vice President of CRI, Inc., where his responsibilities included development, acquisition and syndication of commercial real estate. He is a Trustee Emeritus of The Edmund Burke School in Washington, D.C., a member of The President's Council at Tulane University and an instructor at Johns Hopkins University's Carey School of Business, where he teaches real estate finance. Mr. Sislen has a BA in Economics from Tulane University and a MBA from the University of Chicago Graduate School of Business.

Stacey Berger is Executive Vice President of Midland Loan Services, Inc., responsible for business development, marketing and strategy. Midland, a PNC Real Estate company, is the leading provider of loan servicing, asset management and technology solutions for the commercial mortgage finance industry. The company is one of the nation's largest commercial loan servicers with over $266 billion in outstanding balances. Midland is also a leading third party special servicer, and has recovered over $15 billion on behalf of its clients since 1991. Midland maintains the industry's highest ratings as a servicer and special servicer from Fitch Ratings and Standard & Poor's. Prior to joining Midland in 1991, Mr. Berger was the senior executive responsible for the real estate asset management and investment advisory services for a subsidiary of Landmark Land Company, Inc. Mr. Berger received a BA degree in Economics and an MBA degree from Tulane University. Mr. Berger is the past President of the Commercial Mortgage Securities Association, (CMSA), and past Vice Chairman of the commercial / multifamily board of governors (COMBOG) of the Mortgage Bankers Association.

Reid Weppler's biography is detailed below.

GRW Funds, Inc. (Managing Member of Sponsor)

Reid Weppler is the sole owner of GRW Funds, Inc. ("GRW"), which is the Managing Member of the Sponsor. Mr. Weppler is the principal contact for the investors. GRW, which has one other full time employee (Gordon Fraley), will be responsible for raising investment capital and locating suitable investments for such capital. Mr. Fraley will be involved with analyzing all prospective investments.

Reid Weppler
President, GRW Funds, Inc.

Prior to founding GRW Funds, Inc. in 2009, Reid Weppler worked as a Development Manager for Vornado/Charles E. Smith, the D.C. region platform for Vornado Realty Trust, one of the largest equity REITs in the United States by market capitalization. Vornado/Charles E. Smith is the largest owner of commercial real estate in the Washington region. As Development Manager, Mr. Weppler led the development of a 365,000 SF trophy office building at the corner of 17th and H Streets, NW, that will be home to PNC Bank's new regional headquarters. During his tenure at Vornado, he also worked to simplify a complicated three-tier partnership structure for the development of Waterfront Station in southwest Washington, D.C.

Prior to joining Vornado, Mr. Weppler was an Assistant Vice President at Wilder Richman Securities Corporation ("WRSC"), an affiliate of Greenwich based The Richman Group, where he structured limited partnership investment funds and marketed offerings to the world's largest banks and other financial institutions helping to raise in excess of $1 billion during his tenure. While working for WRSC, Mr. Weppler was a Registered Representative holding Series 22 and 63 securities licenses.

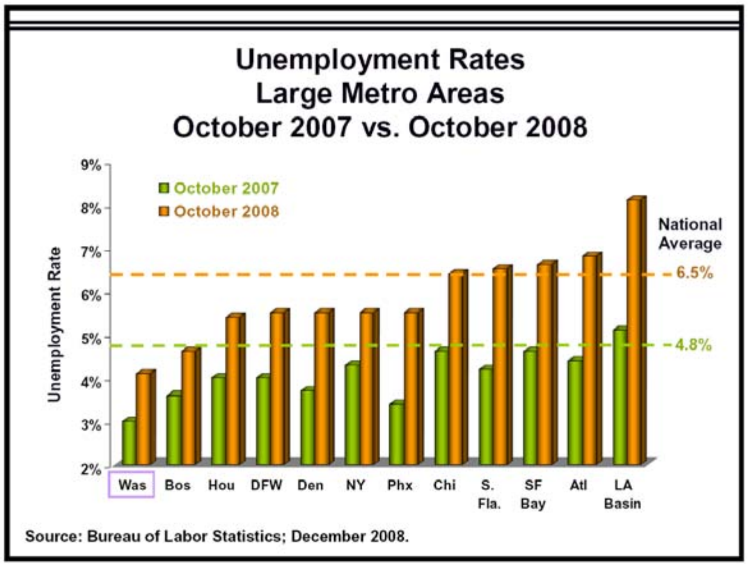
Mr. Weppler holds a B.S. in Business Administration with a concentration in finance from the Kogod College of Business at American University and is a candidate for a MS in Real Estate in May 2009 from the Carey Business School at Johns Hopkins University.

Gordon Fraley
Executive Vice-President, GRW Funds, Inc.

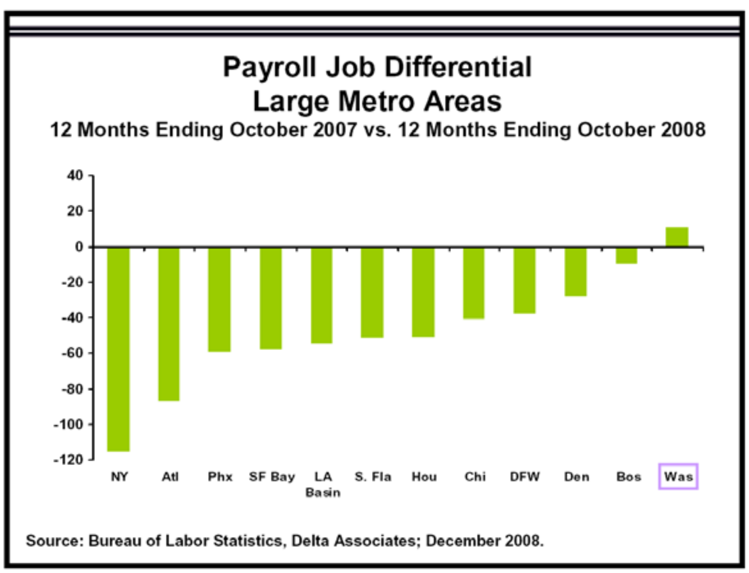
Prior to joining GRW in 2009, Mr. Fraley was a Senior Development Manager for Vornado/Charles E. Smith. He holds a BS in Environmental and Urban Planning from the University of Virginia.

Local Economy

Buoyed by the presence of the federal government, the Washington region has one of the most stable local economies in the country. According to a report[1] by Grubb and Ellis, "the Washington region outperforms the nation in nearly every indicator of economic health".



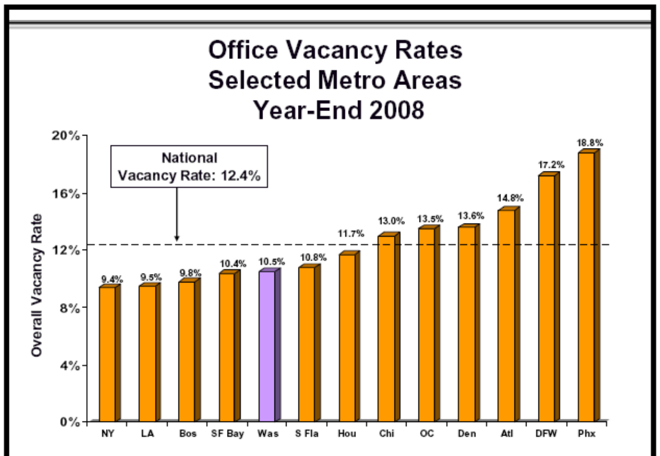
The Washington metro area was the only large metro area that exhibited year over year job growth during 2008.



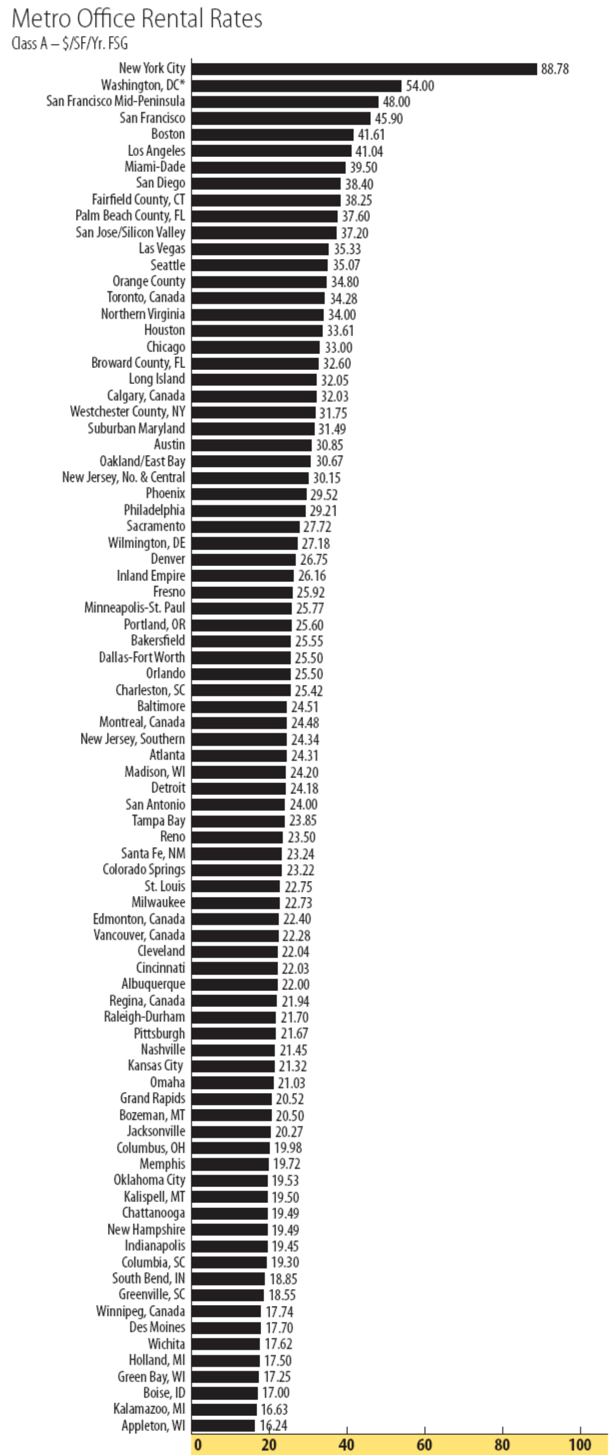
[1] Grubb & Ellis Company. (2009). District of Columbia_Office. *2009 Real Estate Forecast*.

Local Office Market

With a strong local economy, the Washington metro area has one of the most attractive commercial real estate markets in the country as exhibited by consistently low vacancy rates and high rental rates. Although the Washington region is certainly not immune to the economic recession and looming troubles in the commercial real estate market, most believe that commercial real estate in this region will continue to be successful over the long term. As exhibited in the chart below, while office vacancy rates in the area increased in 2008, which trend is likely to continue, the overall vacancy rate is well below the national average and is the fifth lowest (of large metro areas) in the country. Rental rates in the Washington D.C. are second in the country only to those in New York City.



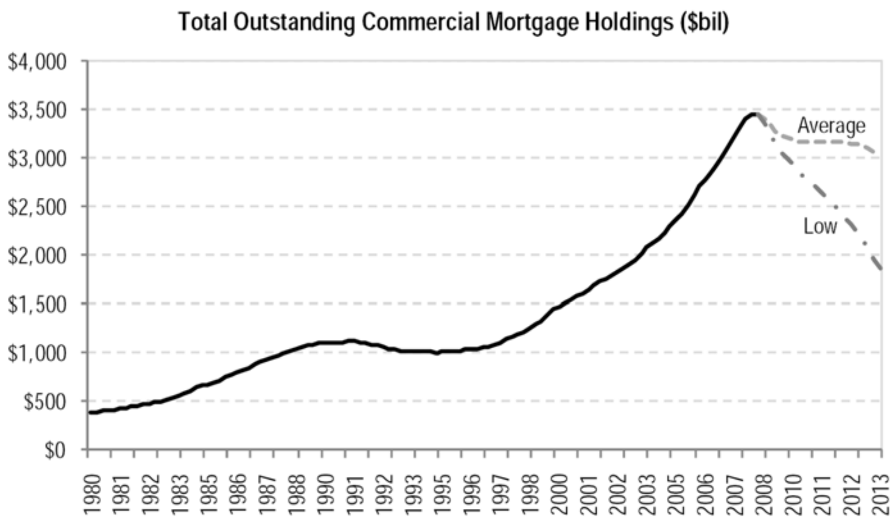
Source: CoStar, Delta Associates; December 2008.



Source: Grubb & Ellis - 2009 Real Estate Forecast

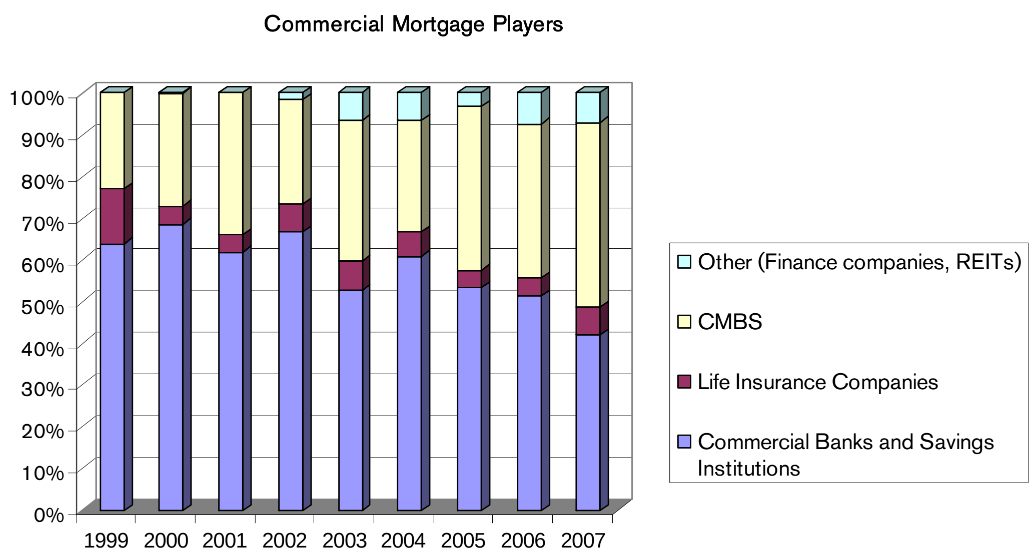
Commercial Mortgage Market

According to the Federal Reserve, in 2008 there were $3.4 trillion of outstanding commercial mortgages up from $1 trillion in 1995. The following chart prepared by Prudential Real Estate Investors ("PREI") depicts the increase in outstanding commercial mortgage holdings over a 30 year period. The chart also illustrates PREI's estimates of the "deleveraging effect" over the next four years as a result of the disappearing CMBS market and scaling back of commercial bank lending.



Federal Reserve; US Commerce Department; Moody's Economy.com

The next chart prepared by GRW indicates the proportionate composition of the commercial mortgage lenders from 1999 through 2007.

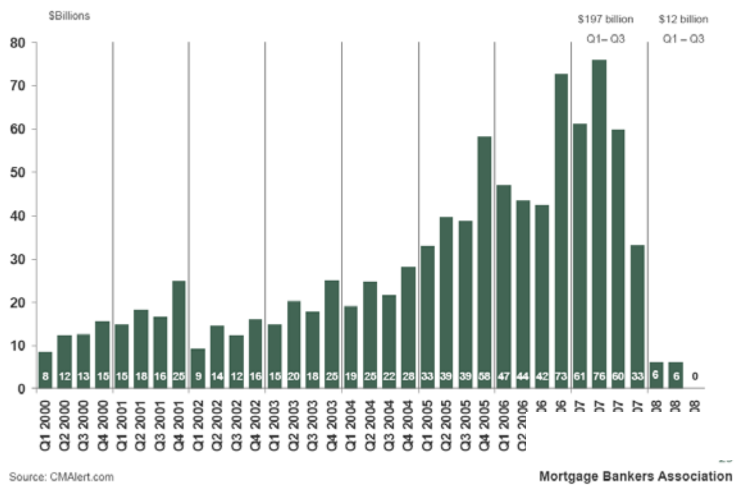


Source: Federal Reserve

Massive Deleveraging – the "Credit Crunch"

Commercial Mortgage Back Securities ("CMBS")

As faith in collateral and ratings of securitized mortgage bonds has been undermined, the CMBS market has essentially shut down.

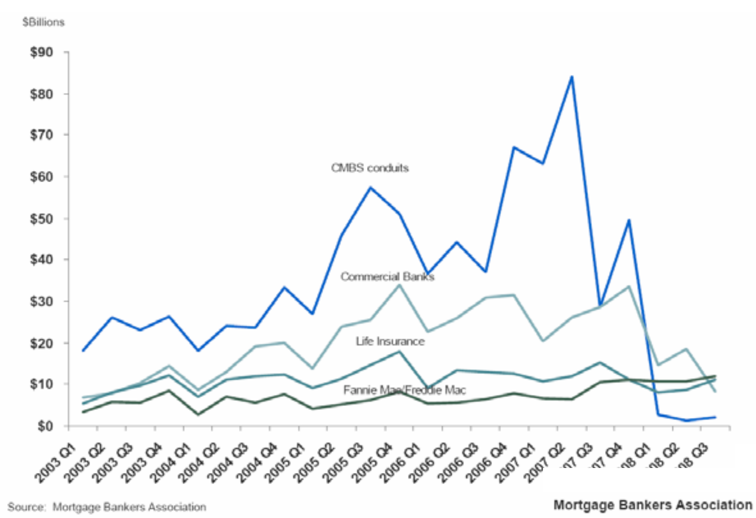


Life Insurance Companies

As of early 2009, life insurance companies have suspended new commercial mortgage originations[1]. Some insurance companies are not even willing to refinance existing loans that are maturing.

Commercial Banks

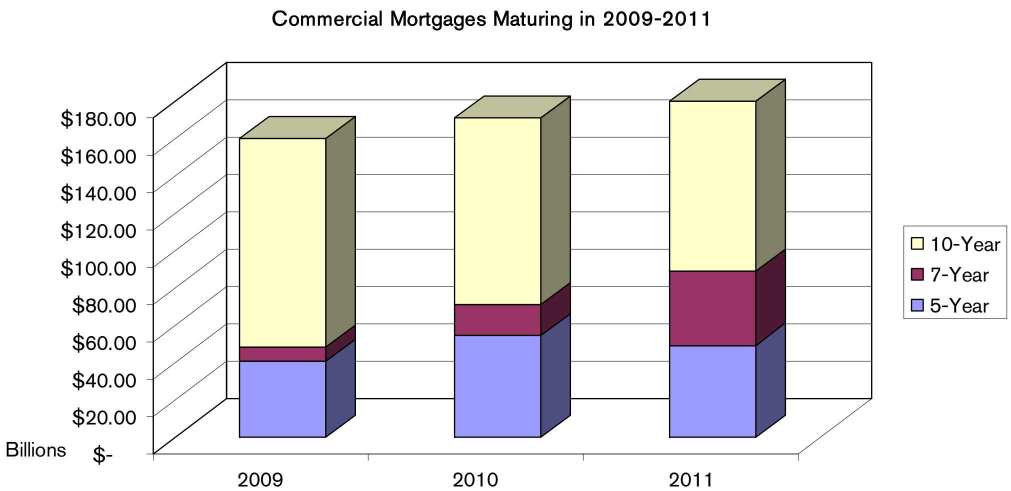
Traditional commercial bank lenders are also substantially reducing lending as they struggle with bad loans issued over the past 5 years and the overall impact of the capital markets on portfolio values and equity values. As banks transition to much more conservative underwriting, values are deteriorating and cash flow is worsening – any loans that are being done are at much lower amounts.



[1] Many insurers halt lending as crisis widens. (2009, March 6). *Commercial Mortgage Alert.*

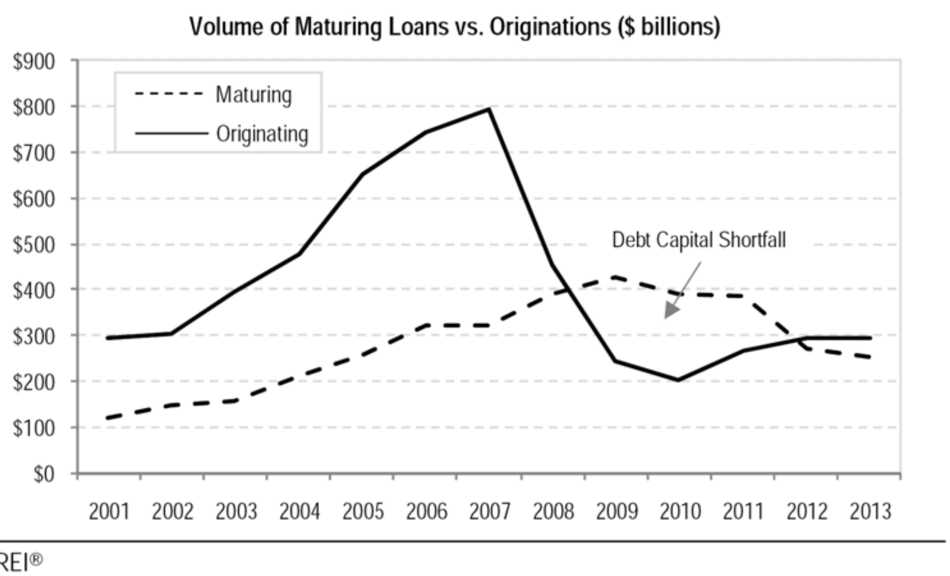
Mortgage Maturities

According to PREI's research[1], $350 billion of commercial mortgages will come due annually for the next several years. Foresight Analytics estimates[2] that the amount of commercial mortgages coming due in 2009 alone is $160 billion. GRW has calculated its own estimates of the volume of maturing mortgages in the chart below.



Sources: Federal Reserve; JP Morgan

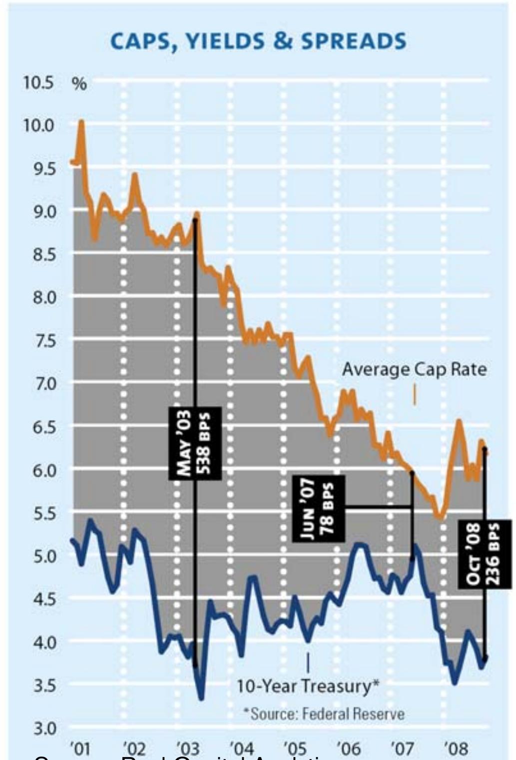
The next chart, prepared by PREI, illustrates the anticipated debt shortfall from the volume of maturing mortgages exceeding the volume of new debt being originated. The area noted as "debt capital shortfall" highlights the area of opportunity that the Fund seeks to exploit.



[1] Fiorilla, P. and Hess, R. (2008, December). Deleveraging the commercial real estate market. *Prudential Real Estate Investors Research.*
[2] Foresight Analytics. (2009, January 30). *Advance 4Q 2008 Delinquency Rate Estimates.*

Property Values and Loan Underwriting

Two of the major issues facing the commercial mortgages industry are falling values and tighter loan underwriting.



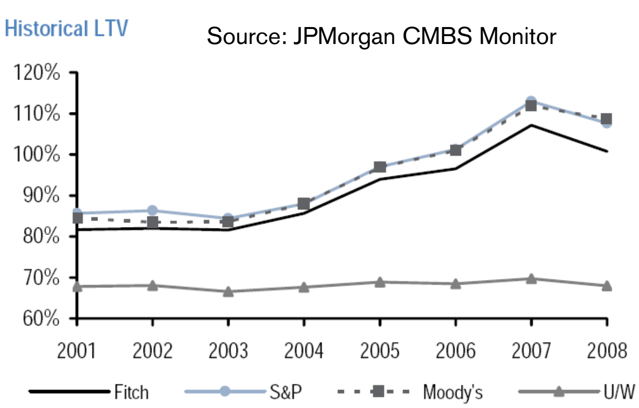
Source: Real Capital Analytics

<u>Values</u>

With cap rates on a steady decline from 2000 – 2007, buyers in 2007 purchased at all time highs. Cap rates have been climbing in a hurry given the lack of buyers in the market, lack of available financing, and overall impact of the recession on commercial real estate demand. To the extent anything is trading, buyers are requiring adequate compensation for risk, and cap rates must exceed the cost of financing. The impact is that properties will not be worth as much as they were when existing loans were originated (especially loans issued in the past 5 years), and borrowers will only be able to refinance based on today's lower values.

<u>Loan-to-Value ("LTV")</u>

Due to the losses that have been experienced and are projected to be incurred by lenders and investors (a projected tripling in default rate equating to 7% of total unpaid balances – according to Reis Inc.[1]) as a result of deteriorating values and aggressive underwriting in past years, traditional banks are willing to loan no more than 60% loan-to-value for new senior mortgages. Over the past 10 years, commercial mortgages were issued at LTV's of 80% on average. When taking into account aggressive income assumptions, particularly in the CMBS market within the last 5 years, the loans may have really been originated at levels in excess of 100% LTV.



[1] Huge commercial real estate loan losses are on the horizon. (2009, March 25). *Property Wire.*

<u>Maturity Defaults</u>

What this means is that the amounts of new first mortgage loans, in most cases, will not be sufficient to repay the balance of maturing mortgages. This creates a scenario whereby borrowers will have to contribute excessive amounts of capital just to hold onto their properties. This creates an opportunity for new mezzanine financing that can help borrowers to refinance. Actual individual scenarios will be much more complicated depending on the different types of lenders, number of layers of existing debt, and level of leverage being employed.

Loan Extensions – "Money Good"?

To the extent possible, many lenders will look to extend loans that are "money good" to push off difficult write-down (capital hits on their own books) or foreclosure scenarios with hopes that conditions will improve down the road. Loans where borrowers have kept current with their payments and have sufficient income to service the existing debt are considered "money good". Willingness of lenders to extend loans will depend on the type of lender/issuer.

<u>Commercial Banks and Life Insurance Companies</u>

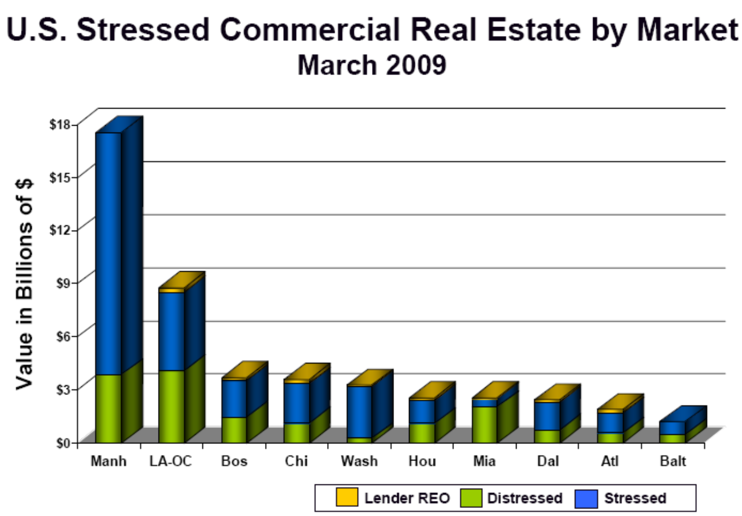
Commercial banks and life insurance companies that own the existing mortgages for their own account will be the most willing to extend loans that are "money good". Loans that are extended will most likely not be candidates for Fund investment.

<u>CMBS</u>

CMBS issuers will be constrained in their ability to extend loans based on whatever is permitted in the CMBS fund documents. Loan extensions would be handled by the special servicer. Very often the CMBS loans were written such that the special servicer has the ability to extend the loan for one year or possibly two one-year extensions. As discussed in Section II, the Fund will seek opportunities by working with special servicers and borrowers to locate loans that have reached their maximum extension term in the CMBS portfolio.

Washington, D.C.

As previously detailed, the Fund will focus debt investments within the Washington, D.C. region. As such, it is important to understand the scale of commercial real estate in the Washington metro area as compared to the rest of the Nation. The chart below depicts the level of "stressed"[1] commercial real estate assets in the major real estate markets in the country. As listed in a March 2009 report from local research company Delta Associates, the "stressed" category includes mortgage maturities as well as other forms of financial trouble.



Source: Real Capital Analytics, Delta Associates; March 2009.

As of March 2009, there is approximately $3 billion of stressed commercial real estate in the Washington region. The targeted investable capital of the Fund at $137.6 million (see "Use of Funds" in Section III, Fund Structure and Fees) is less than 5% of the total stressed commercial real estate debt currently in the local market. With the percentage of loan maturities projected to increase dramatically over the next several years, the Sponsor anticipates ample opportunities for Fund mezzanine loans within the local market.

[1] "These properties have characteristics of concern in the short term – maturing loans, bankrupt tenants, underperformance, financially troubled owner, or significant other obstacles". Delta Associates (2009, March). *Distressed Commercial Real Estate Journal.*

Note: This section does not represent prospective investments and in no way should be construed or interpreted as market or fund performance projections. The purpose of this section is solely to illustrate examples of how investment opportunities may possibly arise.

In order to give prospective investors a better idea of how potential investment opportunities will arise and possible play out, the team at GRW Funds, Inc. has prepared the following scenarios and discussion points on possible outcomes.

Loan Maturities

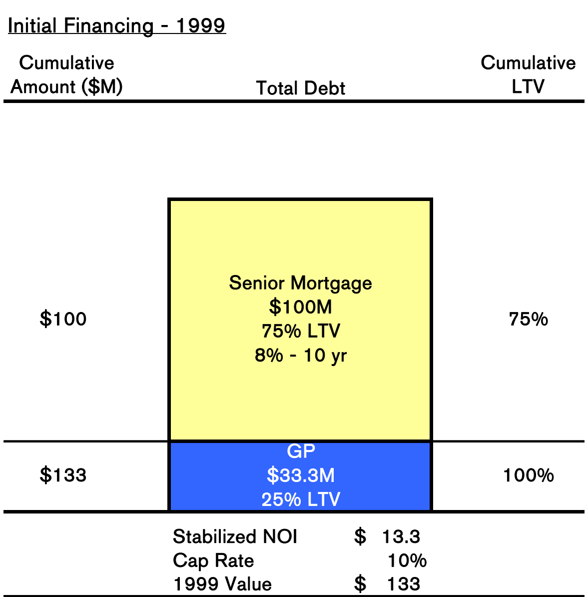
As discussed in Section II, with a variety of 5, 7 & 10 year existing loans out in the market and a Draw Period of 2.5 years, prospective Fund opportunities may involve existing loans that were originated every year from 1999 through 2007 (maturing in 2009 – 2011).

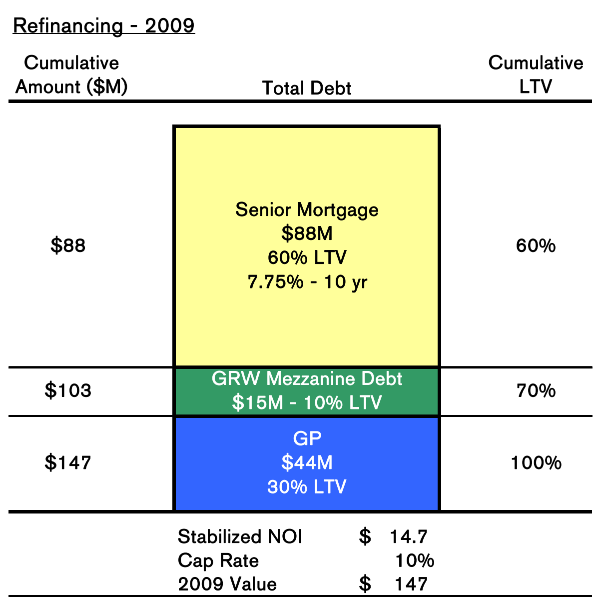
Hypothetical Scenarios

All scenarios assume a hypothetical existing senior mortgage of $100,000,000 for ease of comparison.

Pure LTV Gap

As discussed in Section II, there may be some older vintage loans where the properties have held or slightly increased their value, but the borrower is unable to repay the existing mortgage through refinancing due to more conservative underwriting (lower LTVs).





In this example, the property's income has increased by approximately 1% annually for the past 10 years. At the same 10% cap rate the property was valued at in 1999, the property has increased in value by $14 million in 2009. However, due to lower LTV underwriting, the borrower is only able to raise $88 million from a new first mortgage lender to pay off the maturing $100 million loan. In this case, the existing lender may or may not be willing to extend the loan. By refinancing with a 7.75% fixed rate 10-year (25 year amortization) new first mortgage loan up to 60% LTV, the borrower could borrow $15 million from the Fund at 14% over 5 years, pocket $3M and still earn a 10% return on its equity.

Flow of Funds			
Maturing Loan Balance	$	(100.00)	
New Senior Loan		88.37	
New Mezz Loan		14.73	
GP Cash from Refinancing	$	3.10	
Revalued Capital Stack			
Revalued Asset	$	147.28	
New Senior Loan		88.37	60%
New Mezz Loan		14.73	10%
Refinanced Equity in	$	44.18	30%
Cash Flow			
2009 NOI	$	14.73	
Less Debt Service			
1st Mortgage (7.75%)		(8.10)	
GRW Mezz Debt (14%)		(2.21)	
Free and Clear Cash	$	4.42	
GP Cash on Cash Return		10.00%	
WACC (w/ Constants)		10.00%	

<u>More Complicated Situation - Distressed CMBS Loan</u>

With the more recent vintages of commercial loans, we are more likely to run into distressed situations. The following is an example of a property with an existing 5-year mortgage originated in 2004 with existing mezzanine debt that is completely "out of the money".

<u>Initial Financing - 2004</u>

Cumulative Amount ($M)	Total Debt	Cumulative LTV
$100	Senior Mortgage $100M 75% LTV 6% - 5 yr	75%
$120	XYZ Mezzanine Debt $20M - 15% LTV	90%
$133	GP - $13M - 10% LTV	100%

Stabilized NOI	$	9.3
Cap Rate		7%
1999 Value	$	133

<u>Refinancing - 2009</u>

Cumulative Amount ($M)	Total Debt	Cumulative LTV
$62	Senior Mortgage $62M 60% LTV 7.75% - 10 yr	60%
$82	GRW Mezzanine Debt $20M - 20% LTV	80%
$103	GP $21M - 20% LTV	100%

Stabilized NOI	$	10.3
Cap Rate		10%
2009 Value	$	103

In this example, the property income has increased by approximately 2% annually for the past 5 years; however, assuming an increase in the cap rate from 7% to 10% since 2004 (43% increase), the property has decreased in value by $30 million in 2009. The lower LTV underwriting further exacerbates the level of distress as the property is barely worth the amount of the existing senior mortgage loan. The existing mezzanine debt has lost all value and will most likely just walk away. The following are possibilities of how this situation might further play out:

1) The borrower is so "under water" that he gives up the keys, walks away, and the existing senior mortgagee takes title to the asset. There is still opportunity for the Fund in this case on the sale of the foreclosed asset. Any new buyer will be looking for as much financing as possible and the Fund mezzanine financing will be an attractive source. As opposed to the capital stack listed above, the new buyer would likely utilize a lower amount of mezzanine financing in order to arrange a positive leverage situation.

2) As depicted above, in order to avoid negative tax consequences (as well as other potential motivations such as maintaining other leasing and management fee income), we assume the existing borrower wants to hold onto the property. The borrower accepts that its existing $13 million of equity has been wiped away. The borrower raises as much new debt as possible including a $20 million fund investment at 14% and also contributes an additional $21 million of new equity in order to repay the existing $100 million senior mortgage. In this case, the existing mezzanine debt walks away with $3 million on its $20 million investment. The borrower has created a negative leverage situation; however he is willing to accept a 7.7% return on his new cash investment in order to avoid contributing the additional $20 million that is covered by the Fund's new mezzanine investment.

Flow of Funds			
Maturing Loan Balance	$	(100.00)	
New Senior Loan		61.83	
New Mezz Loan		20.00	
GP New Equity Investment		21.22	
XYZ Mezzanine Walk-away Funds	$	3.05	
Revalued Capital Stack			
Revalued Asset	$	103.05	
New Senior Loan		61.83	60%
New Mezz Loan		20.00	19%
Refinanced Equity in	$	21.22	21%
Cash Flow			
2009 NOI	$	10.30	
Less Debt Service			
1st Mortgage (7.75%)		(5.67)	
GRW Mezz Debt (14%)		(3.00)	
Free and Clear Cash	$	1.64	
GP Cash on Cash Return		7.71%	
WACC (w/ Constants)		10.59%	

3) A variant on #2 above further demonstrates how the Sponsor anticipates adding value to a situation by working with the various parties to create an opportunity for a Fund investment. In this case, the Sponsor works with the borrower and advises him to purchase the distressed loan from the existing senior mortgagee at a 20% discount. The senior mortgagee does not want to foreclosure on the property as previously discussed, because it is not in the business of owning property; does not want to spend the additional time and money on a costly foreclosure process; and does not want to take the additional risk that the value of the property further deteriorates during such a process. Because the lender would almost certainly never recoup 100% of its distressed loan balance in this case, the lender is likely to accept a discounted offer for the loan. Rather than even having to spend the time marketing the distressed loan for sale, the Sponsor will work with the lender/special servicer on sale of the distressed loan to the borrower. After the borrower becomes the holder of the first mortgage note, the Sponsor advises borrower though immediate foreclosure of the property whereby the existing XYZ mezzanine financing is wiped out. Assuming the existing lender accepts $80 million for the distressed $100 million loan, upon refinancing with new Fund mezzanine debt, the borrower is actually able to pocket nearly $2 million in cash. The borrower in this example has avoided putting in $20 million in new equity through the Sponsor's guidance to buy its own distressed loan and foreclose out any additional secured parties.

Flow of Funds			
Purchase of Distressed Loan	**$**	**(80.00)**	
New Senior Loan		61.83	
New Mezz Loan		20.00	
GP Cash-Out		1.83	
Revalued Capital Stack			
Revalued Asset	$	103.05	
New Senior Loan		61.83	60%
New Mezz Loan		20.00	19%
Refinanced Equity in	$	21.22	21%
Cash Flow			
2009 NOI	$	10.30	
Less Debt Service			
1st Mortgage (7.75%)		(5.67)	
GRW Mezz Debt (14%)		(3.00)	
Free and Clear Cash	$	1.64	
GP Cash on Cash Return		7.71%	
WACC (w/ Constants)		10.59%	

Investors must understand that investments in the Fund are highly speculative investments. There is no guarantee that the targeted returns will be achieved or even that the original investment will be returned.

Default - There is certain risk that borrowers of the Fund's mezzanine debt will default on the obligation to make debt service payments to the Fund.

Step-in-the-Shoes - As noted in Section II, borrowers of Fund debt will pledge their ownership interest in their properties as collateral for the loans. In the event of default, the Fund may opt to cause a forecloseure sale for the borrower's interest in the property and ultimately seek to take control of the property subject to the senior debt in place (i.e. step-in-the-shoes of the borrower).

Walk Away - The Sponsor will decide in its sole discretion, provided it has the required majority support from the Committee, whether or not to attempt to take control of a property. In certain circumstances, if it does not make sound economic sense to take control as it would pose additional financial or other risk, the Sponsor may elect to cause the Fund to abandon its investment and walk away.

The following are several, but by no means all, of the risks that could lead to the default on Fund investments.

Vacancy
Increased vacancy, which could be caused by a number of factors including recessionary impact on a) existing tenants who go out of business and vacate leased space or b) general demand for new tenants as existing leases expire. Increased vacancy could lead to the borrower having difficulty making debt service payments.

Values
If values continue to fall during the period in which the Fund's investments are outstanding, some borrowers may have difficulty finding adequate proceeds to refinance and repay the principal balance of the Fund's investment. **Note: Fund investments are likely to be structured with amortization periods that exceed the term of the investments. This creates a balloon balance where a substantial repayment of principal is due from borrower upon maturity.**

Credit Markets
Similar to effect of falling values, any unforeseen problems with future credit markets that impact the ability of borrowers to refinance or raise additional equity could affect the ability of the borrower to repay the maturing balance of the loan.

Risk Mitigants

With a goal of maximizing the risk-adjusted return, the Sponsor has endeavored to structure the Fund and its governing procedures in order minimize risk and maximize the options for dealing with problems. Although risk cannot be eliminated and prospective investors should recognize that the Fund seeks to take on risk in order to generate a return, the Sponsor aims to manage and reduce risk in the following ways:

<u>Local Real Estate Knowledge</u>
By focusing its investments in the Washington region, the Fund will benefit from the local real estate expertise of the Sponsor and Advisory Committee. By understanding the local market, the Fund will see many opportunities through Sponsor's contacts and understand which properties best fit the Fund's investment objectives and meet or exceed the Investment Criteria (as detailed in Section II).

<u>Sound Underwriting</u>
As detailed in Section II, the Sponsor will perform thorough underwriting of the property, its in-place income, and all anticipated sources of capital for the borrower. Sponsor will conduct due diligence investigations to include a physical assessment of the asset; environmental assessment reports; detailed analysis of leases and lessees; review of capital expenditure budgets; rollover assumptions and analyses; and a complete review of borrowers credit history and real estate experience. Sponsor will also perform stress-tests to analyze likely outcomes from possible events including interest-rate sensitivities, lessee bankruptcies and default. The smaller size of the Fund means that the Sponsor will only select the right opportunities; not just try to "fill up the fund".

<u>Debt Layer Restrictions</u>
As discussed in Section II, by restricting Fund investments to mezzanine financing that is only subordinate to the first mortgage and further restricting borrowers from placing any additional debt behind (subordinate to) the Fund's investment, the Sponsor will avoid investments with borrowers who seek to place excessive amounts of debt on their properties (which increase risks including risk of default on mortgage debt).

<u>Extension Options</u>
With the extension option flexibility that the Fund has (as discussed in Section II) the Fund will be able to extend performing loans in the event the aforementioned risks make it difficult for the borrower to repay the maturing balance of the Fund's investment.

Guarantor Capacity

Even though the Fund itself will have assets limited to the collateral of Specified Investments and cash on hand, as discussed in Section II the Sponsor has arranged for an affiliate of Fox Realty Trust to provide necessary guarantees in the event that the Fund must step-in-the-shoes of a borrower. Having additional capital backing provides additional flexibility for the Fund to work through troubled situations.

Exhibit A. Target Investment Schedules

The following are schedules from the Sponsor's investment projection model used to structure the Fund in terms of timing, fees, borrowings, anticipated investments (Fund mezzanine loans) and ultimate cash flow projections for investors.

Note: The following schedules do not represent actual Specified Investments and are only provided for transparency purposes to show investors how the flow of funds is anticipated to work.

Investment Benefit Schedule

Quarter Ending		Investor Capital	Total Loan Payments		GRW Fee	Distributable Capital	Investor Proceeds		Investor Cash Flow
9/30/2009	$	(201,238)	170,680	$	(17,191)	153,489	153,489	$	(47,748)
12/31/2009	$	(691,581)	1,319,516	$	(60,139)	1,259,377	1,259,377	$	567,796
3/31/2010	$	(1,081,306)	1,821,351	$	(94,445)	1,726,906	1,726,906	$	645,599
6/30/2010	$	(15,226,031)	2,649,237	$	(137,303)	2,511,935	2,511,935	$	(12,714,097)
9/30/2010	$	(15,226,031)	3,311,547	$	(171,514)	3,140,033	3,140,033	$	(12,085,998)
12/31/2010	$	(28,981,031)	4,139,433	$	(214,274)	3,925,160	3,925,160	$	(25,055,871)
3/31/2011	$	(15,226,031)	4,801,743	$	(248,383)	4,553,359	4,553,359	$	(10,672,672)
6/30/2011	$	(1,471,031)	4,967,320	$	(256,660)	4,710,660	4,710,660	$	3,239,628
9/30/2011	$	(1,471,031)	4,967,320	$	(256,326)	4,710,994	4,710,994	$	3,239,963
12/31/2011	$	(70,424,688)	4,967,320	$	(255,979)	4,711,341	4,711,341	$	(65,713,347)
3/31/2012	$	-	4,967,320	$	(255,621)	4,711,699	4,711,699	$	4,711,699
6/30/2012	$	-	4,967,320	$	(255,250)	4,712,070	4,712,070	$	4,712,070
9/30/2012	$	-	4,967,320	$	(254,865)	4,712,455	4,712,455	$	4,712,455
12/31/2012	$	-	4,967,320	$	(254,467)	4,712,853	4,712,853	$	4,712,853
3/31/2013	$	-	4,967,320	$	(254,055)	4,713,265	4,713,265	$	4,713,265
6/30/2013	$	-	4,967,320	$	(253,628)	4,713,692	4,713,692	$	4,713,692
9/30/2013	$	-	4,967,320	$	(253,186)	4,714,134	4,714,134	$	4,714,134
12/31/2013	$	-	4,967,320	$	(252,729)	4,714,591	4,714,591	$	4,714,591
3/31/2014	$	-	4,967,320	$	(252,255)	4,715,065	4,715,065	$	4,715,065
6/30/2014	$	-	4,967,320	$	(251,765)	4,715,555	4,715,555	$	4,715,555
9/30/2014	$	-	30,955,649	$	(217,963)	30,737,686	30,737,686	$	30,737,686
12/31/2014	$	-	16,968,020	$	(184,226)	16,783,794	16,783,794	$	16,783,794
3/31/2015	$	-	29,465,453	$	(142,230)	29,323,223	29,323,223	$	29,323,223
6/30/2015	$	-	15,477,824	$	(108,639)	15,369,186	15,369,186	$	15,369,186
9/30/2015	$	-	27,975,257	$	(66,792)	27,908,465	27,908,465	$	27,908,465
12/31/2015	$	-	13,987,628	$	(33,357)	13,954,272	13,954,272	$	13,954,272
3/31/2016	$	-	13,325,319	$	-	13,325,319	13,325,319	$	13,325,319
	$	**(150,000,000)**	**$ 230,943,817**	**$**	**(5,003,240)**	**$ 225,940,577**			
							IRR		**14.91%**

Exhibit A. Target Investment Schedules

Bridge Loan - Loan and Interest Schedule					
Interest Rate	**8.50%**				
Quarter Ending	**Beg Balance**	**Borrowings**	**Repayment**	**End Balance**	**Interest Payments**
9/30/2009	$ -	$ 14,205,000	$ -	$ 14,205,000	$ (201,238)
12/31/2009	$ 14,205,000	$ 27,510,000	$ -	$ 41,715,000	$ (691,581)
3/31/2010	$ 41,715,000	$ 13,755,000	$ -	$ 55,470,000	$ (1,081,306)
6/30/2010	$ 55,470,000	$ 13,755,000	$ -	$ 69,225,000	$ (1,471,031)
9/30/2010	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)
12/31/2010	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)
3/31/2011	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)
6/30/2011	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)
9/30/2011	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)
12/31/2011	$ 69,225,000	$ -	$ (69,225,000)	$ -	$ (980,688)
3/31/2012	$ -	$ -	$ -	$ -	$ -
6/30/2012	$ -	$ -	$ -	$ -	$ -
9/30/2012	$ -	$ -	$ -	$ -	$ -
12/31/2012	$ -	$ -	$ -	$ -	$ -
3/31/2013	$ -	$ -	$ -	$ -	$ -
6/30/2013	$ -	$ -	$ -	$ -	$ -
9/30/2013	$ -	$ -	$ -	$ -	$ -
12/31/2013	$ -	$ -	$ -	$ -	$ -
3/31/2014	$ -	$ -	$ -	$ -	$ -
6/30/2014	$ -	$ -	$ -	$ -	$ -
9/30/2014	$ -	$ -	$ -	$ -	$ -
12/31/2014	$ -	$ -	$ -	$ -	$ -
3/31/2015	$ -	$ -	$ -	$ -	$ -
6/30/2015	$ -	$ -	$ -	$ -	$ -
9/30/2015	$ -	$ -	$ -	$ -	$ -
12/31/2015	$ -	$ -	$ -	$ -	$ -
3/31/2016	$ -	$ -	$ -	$ -	$ -
		$ 69,225,000	**$ (69,225,000)**		**$ (11,781,000)**

Exhibit A. Target Investment Schedules

Specified Investments - Projected 10 Loan Roll-Up

Loan Ref#	Roll-UP
Initial Loan Closing Date	8/1/2009
Last Loan Closing Date	2/1/2011
Last Payment Date	1/1/2016
Total Amount of Loans	$ 137,550,000
Average Loan Interest Rate	14.00%

Loan Payment Schedule

Qtr Ending	Beg Balance	Tot. Principal	Tot. Interest	Total Payment	End Balance
9/30/2009	$ 13,755,000	$ (10,264)	$ (160,415)	$ (170,680)	$ 13,744,736
12/31/2009	$ 27,499,736	$ (36,438)	$ (1,283,078)	$ (1,319,516)	$ 27,463,297
3/31/2010	$ 41,218,297	$ (58,377)	$ (1,762,974)	$ (1,821,351)	$ 41,159,921
6/30/2010	$ 68,669,921	$ (86,255)	$ (2,562,983)	$ (2,649,237)	$ 68,583,666
9/30/2010	$ 82,338,666	$ (109,957)	$ (3,201,590)	$ (3,311,547)	$ 82,228,709
12/31/2010	$ 109,738,709	$ (139,661)	$ (3,999,772)	$ (4,139,433)	$ 109,599,048
3/31/2011	$ 123,354,048	$ (165,255)	$ (4,636,488)	$ (4,801,743)	$ 123,188,793
6/30/2011	$ 136,943,793	$ (176,328)	$ (4,790,992)	$ (4,967,320)	$ 136,767,465
9/30/2011	$ 136,767,465	$ (182,572)	$ (4,784,748)	$ (4,967,320)	$ 136,584,893
12/31/2011	$ 136,584,893	$ (189,037)	$ (4,778,283)	$ (4,967,320)	$ 136,395,856
3/31/2012	$ 136,395,856	$ (195,731)	$ (4,771,589)	$ (4,967,320)	$ 136,200,125
6/30/2012	$ 136,200,125	$ (202,662)	$ (4,764,658)	$ (4,967,320)	$ 135,997,463
9/30/2012	$ 135,997,463	$ (209,838)	$ (4,757,482)	$ (4,967,320)	$ 135,787,625
12/31/2012	$ 135,787,625	$ (217,268)	$ (4,750,052)	$ (4,967,320)	$ 135,570,357
3/31/2013	$ 135,570,357	$ (224,962)	$ (4,742,358)	$ (4,967,320)	$ 135,345,395
6/30/2013	$ 135,345,395	$ (232,928)	$ (4,734,392)	$ (4,967,320)	$ 135,112,468
9/30/2013	$ 135,112,468	$ (241,176)	$ (4,726,144)	$ (4,967,320)	$ 134,871,292
12/31/2013	$ 134,871,292	$ (249,716)	$ (4,717,604)	$ (4,967,320)	$ 134,621,577
3/31/2014	$ 134,621,577	$ (258,558)	$ (4,708,762)	$ (4,967,320)	$ 134,363,019
6/30/2014	$ 134,363,019	$ (267,713)	$ (4,699,606)	$ (4,967,320)	$ 134,095,305
9/30/2014	$ 134,095,305	$ (26,887,015)	$ (4,068,634)	$ (30,955,649)	$ 107,208,290
12/31/2014	$ 107,208,290	$ (13,529,131)	$ (3,438,889)	$ (16,968,020)	$ 93,679,159
3/31/2015	$ 93,679,159	$ (26,810,498)	$ (2,654,955)	$ (29,465,453)	$ 66,868,660
6/30/2015	$ 66,868,660	$ (13,449,905)	$ (2,027,919)	$ (15,477,824)	$ 53,418,755
9/30/2015	$ 53,418,755	$ (26,728,467)	$ (1,246,790)	$ (27,975,257)	$ 26,690,288
12/31/2015	$ 26,690,288	$ (13,364,969)	$ (622,659)	$ (13,987,628)	$ 13,325,319
3/31/2016	$ 13,325,319	$ (13,325,319)	$ -	$ (13,325,319)	$ 0

Exhibit A. Target Investment Schedules

GRW MEZZANINE DEBT I LP
Flow of Funds

	Cash Needs Investment			Bridge Loan					Investment Benefit Schedule					
				Interest Rate 8.50%										
Quarter Ending	O&O Fee	Fund Mezz Loans	Cash-Needs Investment	Beg Balance	Borrowings	Repayment	End Balance	nterest Payments	Investor Capital	Total Loan Payments	GRW Fee	Distributable Capital	Investor Proceeds	Investor Cash Flow
9/30/2009	$ (450,000)	$ (13,755,000)	$ (14,205,000)	$ -	$ 14,205,000	$ -	$ 14,205,000	$ (201,238)	$ (201,238)	170,680	$ (17,191)	153,489	153,489	$ (47,748)
12/31/2009	$ -	$ (27,510,000)	$ (27,510,000)	$ 14,205,000	$ 27,510,000	$ -	$ 41,715,000	$ (691,581)	$ (691,581)	1,319,516	$ (60,139)	1,259,377	1,259,377	$ 567,796
3/31/2010	$ -	$ (13,755,000)	$ (13,755,000)	$ 41,715,000	$ 13,755,000	$ -	$ 55,470,000	$ (1,081,306)	$ (1,081,306)	1,821,351	$ (94,445)	1,726,906	1,726,906	$ 645,599
6/30/2010	$ -	$ (27,510,000)	$ (27,510,000)	$ 55,470,000	$ 13,755,000	$ -	$ 69,225,000	$ (1,471,031)	$ (15,226,031)	2,649,237	$ (137,303)	2,511,935	2,511,935	$ (12,714,097)
9/30/2010	$ -	$ (13,755,000)	$ (13,755,000)	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)	$ (15,226,031)	3,311,547	$ (171,514)	3,140,033	3,140,033	$ (12,085,998)
12/31/2010	$ -	$ (27,510,000)	$ (27,510,000)	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)	$ (28,981,031)	4,139,433	$ (214,274)	3,925,160	3,925,160	$ (25,055,871)
3/31/2011	$ -	$ (13,755,000)	$ (13,755,000)	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)	$ (15,226,031)	4,801,743	$ (248,383)	4,553,359	4,553,359	$ (10,672,672)
6/30/2011	$ -	$ -	$ -	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)	$ (1,471,031)	4,967,320	$ (256,660)	4,710,660	4,710,660	$ 3,239,628
9/30/2011	$ -	$ -	$ -	$ 69,225,000	$ -	$ -	$ 69,225,000	$ (1,471,031)	$ (1,471,031)	4,967,320	$ (256,326)	4,710,994	4,710,994	$ 3,239,963
12/31/2011	$ -	$ -	$ -	$ 69,225,000	$ -	$ (69,225,000)	$ -	$ (980,688)	$ (70,424,688)	4,967,320	$ (255,979)	4,711,341	4,711,341	$ (65,713,347)
3/31/2012	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (255,621)	4,711,699	4,711,699	$ 4,711,699
6/30/2012	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (255,250)	4,712,070	4,712,070	$ 4,712,070
9/30/2012	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (254,865)	4,712,455	4,712,455	$ 4,712,455
12/31/2012	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (254,467)	4,712,853	4,712,853	$ 4,712,853
3/31/2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (254,055)	4,713,265	4,713,265	$ 4,713,265
6/30/2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (253,628)	4,713,692	4,713,692	$ 4,713,692
9/30/2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (253,186)	4,714,134	4,714,134	$ 4,714,134
12/31/2013	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (252,729)	4,714,591	4,714,591	$ 4,714,591
3/31/2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (252,255)	4,715,065	4,715,065	$ 4,715,065
6/30/2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	4,967,320	$ (251,765)	4,715,555	4,715,555	$ 4,715,555
9/30/2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	30,955,649	$ (217,963)	30,737,686	30,737,686	$ 30,737,686
12/31/2014	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	16,968,020	$ (184,226)	16,783,794	16,783,794	$ 16,783,794
3/31/2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	29,465,453	$ (142,230)	29,323,223	29,323,223	$ 29,323,223
6/30/2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	15,477,824	$ (108,639)	15,369,186	15,369,186	$ 15,369,186
9/30/2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	27,975,257	$ (66,792)	27,908,465	27,908,465	$ 27,908,465
12/31/2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	13,987,628	$ (33,357)	13,954,272	13,954,272	$ 13,954,272
3/31/2016	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	13,325,319	$ -	13,325,319	13,325,319	$ 13,325,319
Total			**$ (138,000,000)**		**$ 69,225,000**	**$ (69,225,000)**		**$ (11,781,000)**	**$ (150,000,000)**	**$ 230,943,817**	**$ (5,003,240)**	**$ 225,940,577**		
													IRR	**14.91%**

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Last Name	First Name	Company	Title
Arinzeh	Ugo	Bank of America	Senior Debt Products Officer
Berger	Stacey	Midland Loan Services, Inc.	Executive Vice President
Cardinale	Chris	Goulston & Storrs	Associate
Fiorilla	Paul	PREI (Prudential Real Estate Investors)	Principal (Research)
Franzetti	Nickolas M.	ASB Capital Management LLC	Vice President
Grindall	Brian	Opus East	VP and General Counsel
Harris	Oliver	Johns Hopkins University	Professor
Moyer	Dennis	Goulston & Storrs	Director - Real Estate Group
Newman	Robert A.	Potomac Capital Advisors	Director
Ramirez	Mario	Vornado Realty Trust	Vice President
Reczka	Richard	Vornado Realty Trust	Vice President
Sands	Dean	Eastdil Secured	Associate
Schilke	Charles	Georgetown	Associate Dean
Schwartz	Dave	Situs Companies	Vice President
Sislen	Dave	Bristol Capital Corporation	President
Wallace	Paul	Walker & Dunlop	Assistant Vice President

GRW MEZZ GP LLC

George Reid Weppler
Final Research Project – April 2009
Johns Hopkins University, Carey Business School
Master of Science in Real Estate Program

GRW MEZZANINE FUND I LP
A Delaware Limited Partnership
$150,000,000 Limited Partnership Interests
Minimum Capital Commitment: $5,000,000

The Fund

- Mezzanine Debt Fund
  - Offering $150 million LP Interests
  - Minimum Commitment: $5,000,000
  - Minimum investor return of 14%
  - Qualified Investors

The Target Market

- Target existing commercial assets with maturing mortgages
  - More restrictive first mortgage lending requirements
  - Declining property values
- Investing in Washington, D.C. region

The Sponsor

- GRW Mezz GP LLC (GP of the Fund)
  - GRW Funds, Inc. (Managing Member)
    - Direct Fund investments
    - Investor relations
  - Fox Realty Mezz Investments L.P. (Member)
    - Affiliate of Fox Realty Trust (S&P 500)
    - Guarantor capacity (step-in-the-shoes; bridge loan)
  - Investment Advisory Committee

Strategy - Overview

- Issue mezzanine debt to assist borrowers seeking to refinance
  - Positive leverage still possible
    - Low interest rates and increasing cap rates
- Bridge Loan – defer investor capital
- Clear Investment Criteria
- Focused Sponsor Approach – investor control
- Low Sponsor Management Fees

Strategy - Opportunities

- Loan Maturities 2009 - 2011
- Pure LTV Gap
- CMBS Market
  - Special servicing
  - Hyper-amortization
- Distressed Loans

Strategy – Investment Criteria

- Washington, D.C. Region
- 80% Loan To Value Maximum
- Existing Assets
- Individual Mezz Loan – Max of 10%
- In-Place Income
- Loan Security – GP Interest
- Deviations

Strategy – Sponsor Approach

- Washington, D.C. Region Investments
- Specified Investments – Investor Control
- Advisory Committee – on Investor's Behalf
- Fund Leverage – Limited to 50%
- Fox Realty Guarantor Capacity
- Extension Options
- Debt Layer Restrictions

Use of Funds / Fees

- Use of Funds

Gross Proceeds (Committed Capital)	$	150,000,000	
Organization & Offering Allowance	$	450,000	0.30%
Interest Expense	$	12,000,000	8.00%
Net Proceeds (Invested Capital)	$	137,550,000	91.70%

- Management Fee
  - 0.75% per annum on outstanding balance

GRW Funds, Inc.
Projected Management Fee

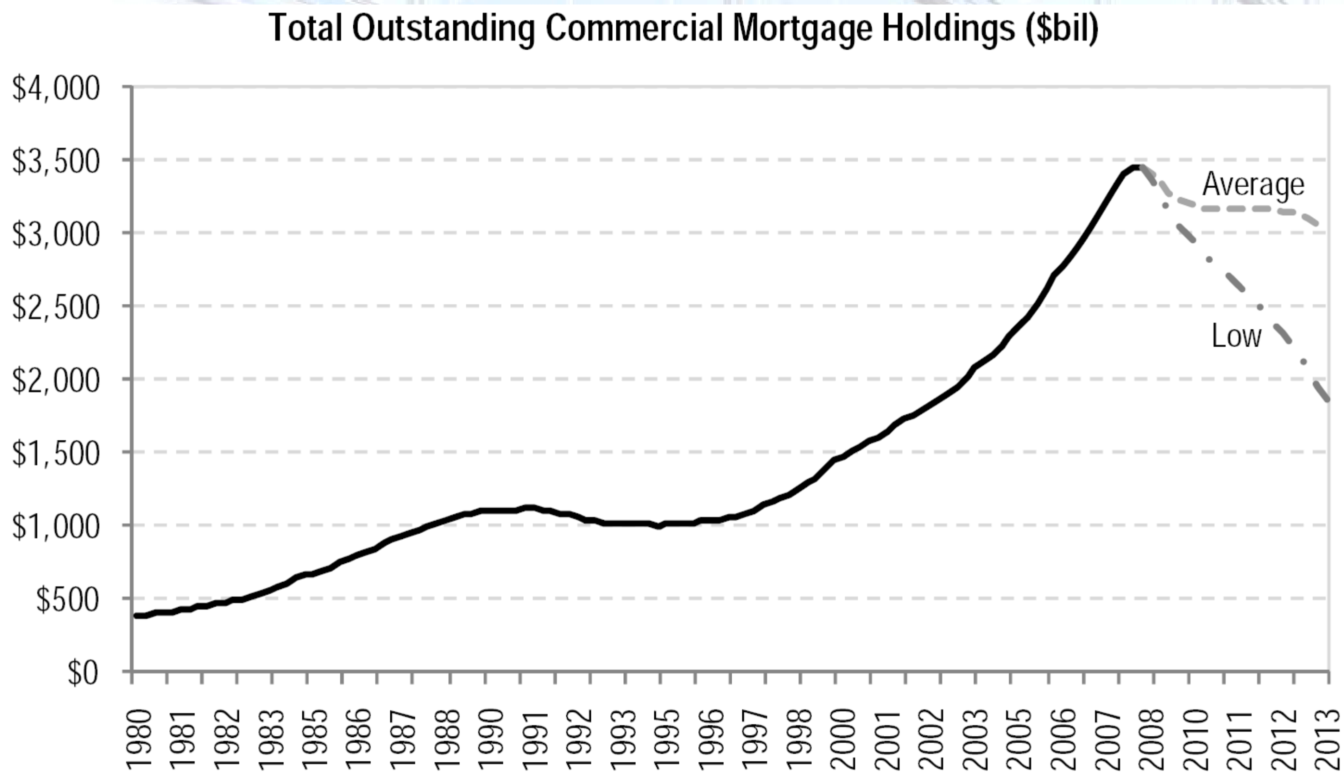
Calendar Year		Mgmt Fee
2009	$	77,330
2010	$	617,535
2011	$	1,017,349
2012	$	1,020,203
2013	$	1,013,598
2014	$	906,208
2015	$	351,017
	$	5,003,240

Management

- Advisory Committee
  - Dave Sislen, President, Bristol Capital Corporation
  - Stacey Berger, Executive Vice President, Midland Loan Services, Inc.
  - Reid Weppler, President, GRW Funds, Inc.

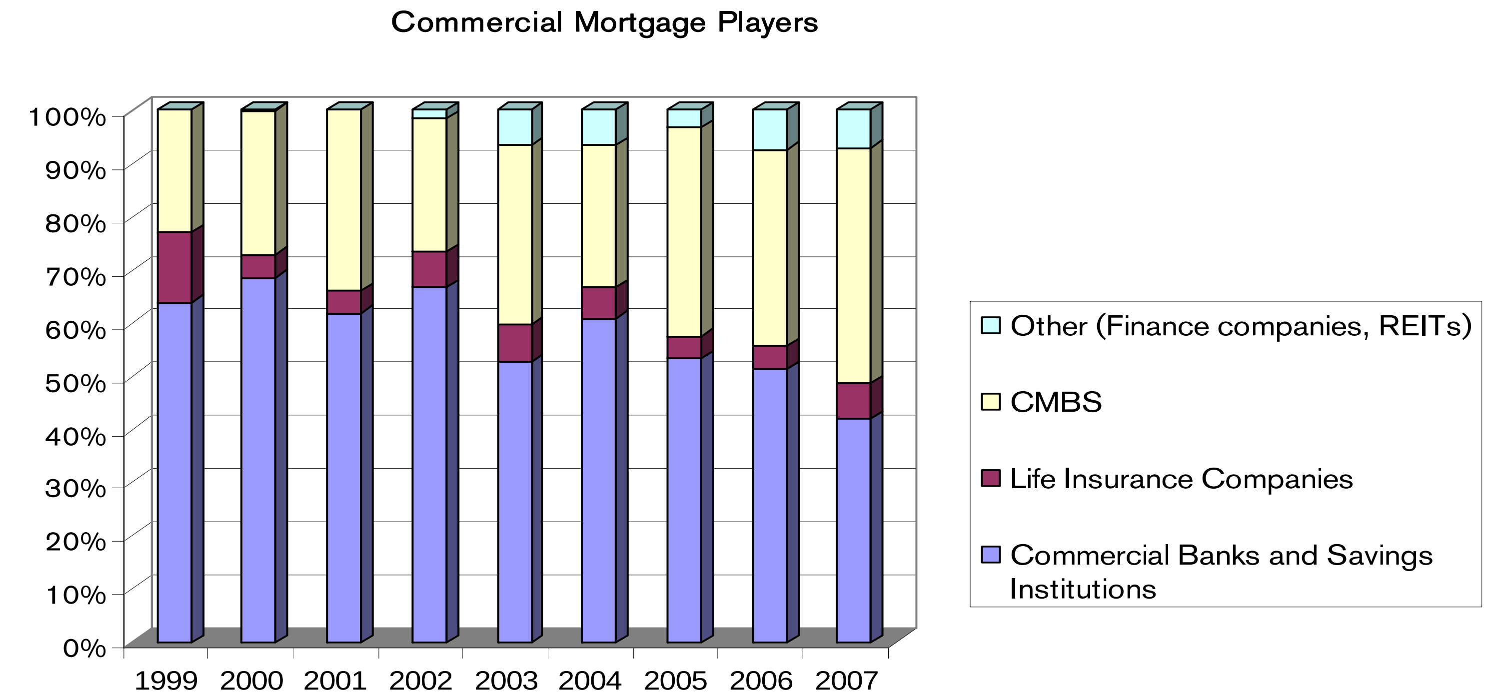
- GRW Funds, Inc. (Managing Member) – Reid Weppler
  - 10+ years of real estate experience in D.C. market
  - Blend of investment and development experience

Commercial Mortgage Market



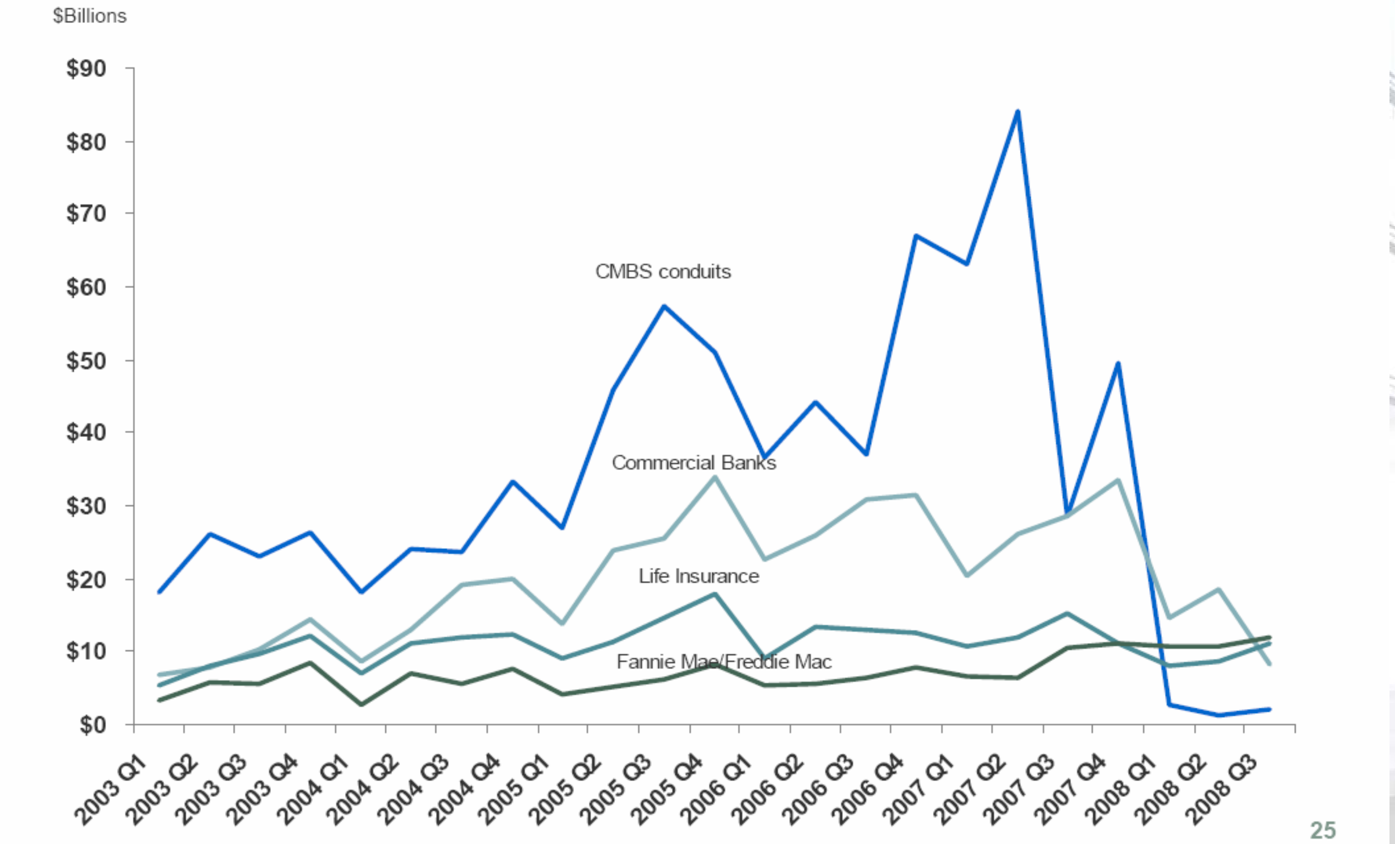
Federal Reserve; US Commerce Department; Moody's Economy.com

Commercial Mortgage Players



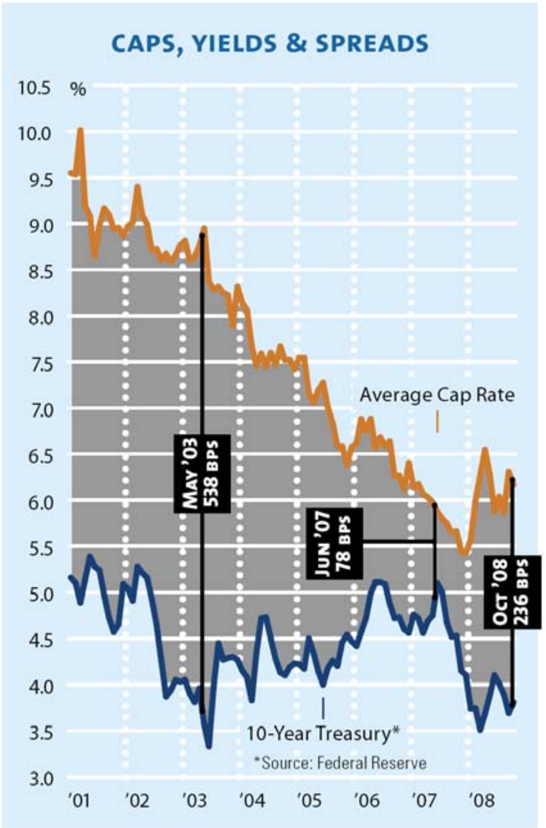
Source: Federal Reserve

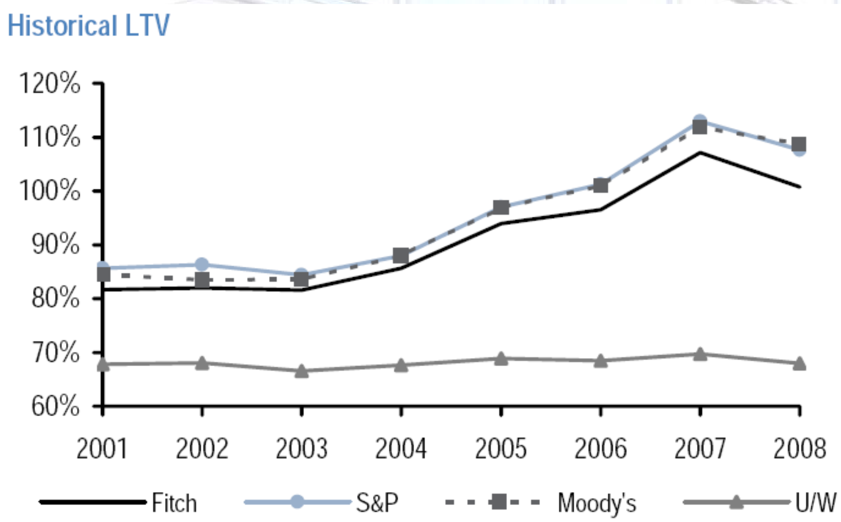
Massive Deleveraging



Source: Mortgage Bankers Association

Values and Loan Underwriting





What Happens Next?

- Maturity Defaults
- Loan Extensions – “Money Good”?
- Recapitalization
  - Through REO
  - Local GP Equity
  - Mezzanine Debt

Pure LTV Gap Scenario

Initial Financing - 1999

Cumulative Amount ($M)	Total Debt	Cumulative LTV
$100	Senior Mortgage $100M 75% LTV 8% - 10 yr	75%
$133	GP $33.3M 25% LTV	100%

Stabilized NOI	$ 13.3
Cap Rate	10%
1999 Value	$ 133

Refinancing - 2009

Cumulative Amount ($M)	Total Debt	Cumulative LTV
$88	Senior Mortgage $88M 60% LTV 7.75% - 10 yr	60%
$103	GRW Mezzanine Debt $15M - 10% LTV	70%
$147	GP $44M 30% LTV	100%

Stabilized NOI	$ 14.7
Cap Rate	10%
2009 Value	$ 147

Pure LTV Gap Scenario

Flow of Funds			
Maturing Loan Balance	$	(100.00)	
New Senior Loan		88.37	
New Mezz Loan		14.73	
GP Cash from Refinancing	$	3.10	
Revalued Capital Stack			
Revalued Asset	$	147.28	
New Senior Loan		88.37	60%
New Mezz Loan		14.73	10%
Refinanced Equity in	$	44.18	30%
Cash Flow			
2009 NOI	$	14.73	
Less Debt Service			
1st Mortgage (7.75%)		(8.10)	
GRW Mezz Debt (14%)		(2.21)	
Free and Clear Cash	$	4.42	
GP Cash on Cash Return		10.00%	
WACC (w/ Constants)		10.00%	

- Value increased by $14M
- 1st mortgage proceeds reduced by $12M
- GP takes $3M out on refinancing and still achieves positive leverage

Distressed CMBS Scenario

Initial Financing - 2004

Cumulative Amount ($M)	Total Debt	Cumulative LTV
$100	Senior Mortgage $100M 75% LTV 6% - 5 yr	75%
$120	XYZ Mezzanine Debt $20M - 15% LTV	90%
$133	GP - $13M - 10% LTV	100%

Stabilized NOI	$	9.3
Cap Rate		7%
1999 Value	$	133

Refinancing - 2009

Cumulative Amount ($M)	Total Debt	Cumulative LTV
$62	Senior Mortgage $62M 60% LTV 7.75% - 10 yr	60%
$82	GRW Mezzanine Debt $20M - 20% LTV	80%
$103	GP $21M - 20% LTV	100%

Stabilized NOI	$	10.3
Cap Rate		10%
2009 Value	$	103

Distressed CMBS Scenario

Flow of Funds			
Maturing Loan Balance	$	(100.00)	
New Senior Loan		61.83	
New Mezz Loan		20.00	
GP New Equity Investment		21.22	
XYZ Mezzanine Walk-away Funds	$	3.05	
Revalued Capital Stack			
Revalued Asset	$	103.05	
New Senior Loan		61.83	60%
New Mezz Loan		20.00	19%
Refinanced Equity in	$	21.22	21%
Cash Flow			
2009 NOI	$	10.30	
Less Debt Service			
1st Mortgage (7.75%)		(5.67)	
GRW Mezz Debt (14%)		(3.00)	
Free and Clear Cash	$	1.64	
GP Cash on Cash Return		7.71%	
WACC (w/ Constants)		10.59%	

- GP existing equity wiped away
- XYZ Mezz 85% write-down
- GP contributes additional $20M
- GP accepts negative leverage

GRW FUNDS

Distressed CMBS Scenario

Flow of Funds			
Purchase of Distressed Loan	$	(80.00)	
New Senior Loan		61.83	
New Mezz Loan		20.00	
GP Cash-Out		1.83	
Revalued Capital Stack			
Revalued Asset	$	103.05	
New Senior Loan		61.83	60%
New Mezz Loan		20.00	19%
Refinanced Equity in	$	21.22	21%
Cash Flow			
2009 NOI	$	10.30	
Less Debt Service			
1st Mortgage (7.75%)		(5.67)	
GRW Mezz Debt (14%)		(3.00)	
Free and Clear Cash	$	1.64	
GP Cash on Cash Return		7.71%	
WACC (w/ Constants)		10.59%	

- GP purchases distressed loan at $0.80/$1
- GP forecloses out existing mezz
- GP takes out $2M from recapitalization

Accepting Commitments

- Closing Date: 6/1/09
- Draw Period: 6/1/09 – 12/31/11

- Questions?

GRW MEZZ GP LLC

George Reid Weppler
Final Research Project – April 2009
Johns Hopkins University, Carey Business School
Master of Science in Real Estate Program

GRW MEZZANINE FUND I LP
A Delaware Limited Partnership
$150,000,000 Limited Partnership Interests
Minimum Capital Commitment: $5,000,000